

Understanding the 21st Century Taxpayer

IRS Nationwide

2008

**Tax
FORUM**

Partners in Tax
Administration

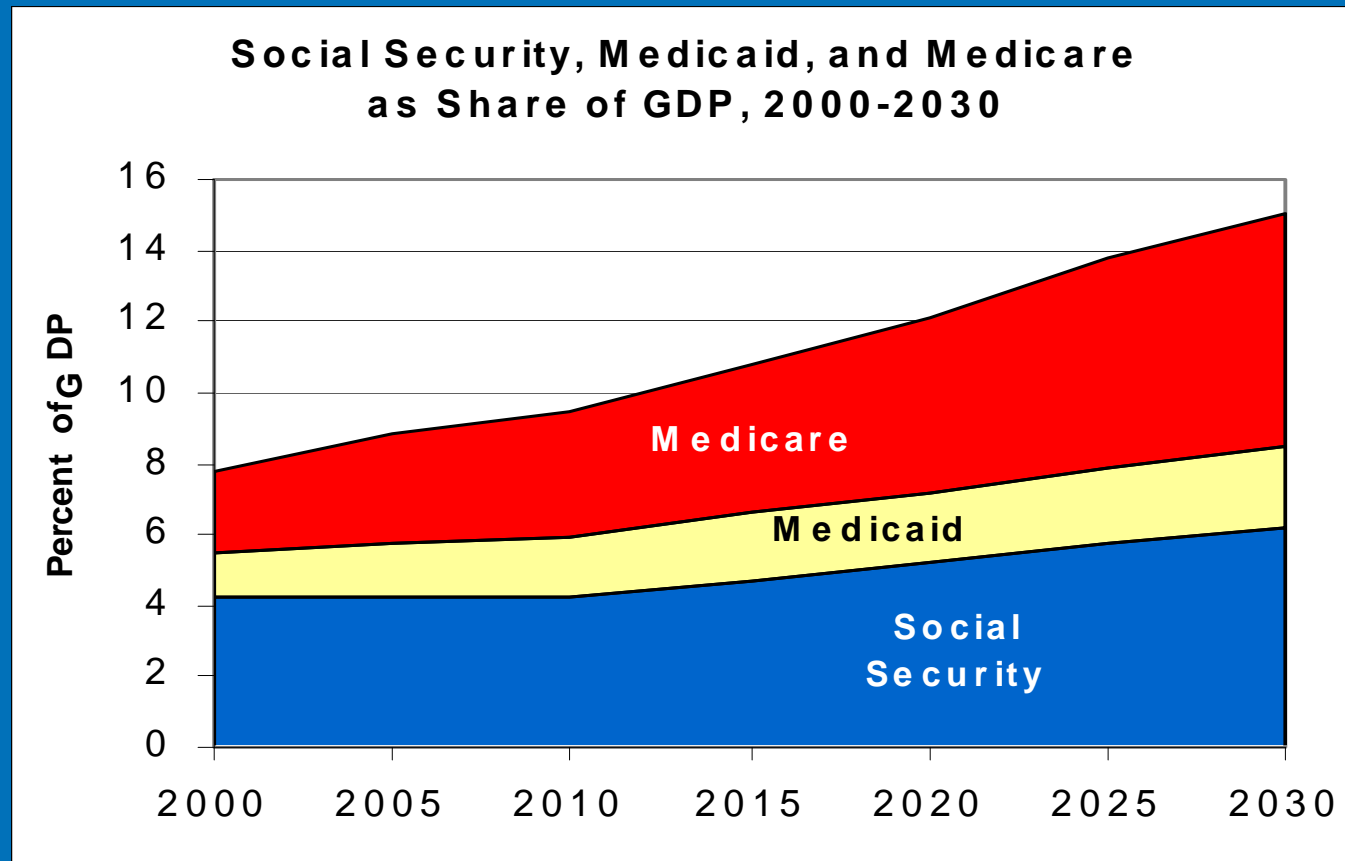
Key Trends Impacting Taxpayers

- Population Trends
 - Aging U.S. population
 - Increasing immigrant workforce
- Economic Trends
 - Rising living expenses
 - Mortgage crisis
- Technology Trends
 - Growing broadband Internet access
 - Web 2.0 and social networking

Aging Population

- Increase from 37M in 2006 to 55M by 2020
- Seniors face growing financial pressures
 - Rising health care costs
 - Raising grandchildren
 - Inadequate retirement savings
 - Uncertainty about Social Security & Medicare
- Concept of retirement will evolve in the 21st century
 - Periodic sabbaticals throughout the work life?

Increased Spending for Seniors are Causing Long-Term Fiscal Imbalances



Source: Government Accountability Office analysis

Tax Issues for Seniors

- Claiming grandchildren as dependents
- Changing from wage income to self-employment income
- Sources of retirement income more diverse
- Downsizing from larger to smaller homes

Immigrant Workforce

- During 1990s, one of every two new workers in U.S. labor force was an immigrant
 - In 2006, 23M foreign-born workers
- Over 22M of U.S. population do not speak English well, i.e., limited English proficiency (LEP)

Tax Issues for Immigrants

- Growing need for bilingual tax assistance/tax professionals
- Eligibility for Earned Income Tax Credit and Child Tax Credit
- Access to Individual Taxpayer Identification Numbers (ITINs)

IRS Strategies to Assist LEP

- Solicit Asian-language solutions from taxpayers and tax practitioners
- Enhance the IRS.gov Espanol webpage into a Multilingual Gateway for 5 languages
 - www.irs.gov/espanol
- Expand list of products available in various languages

Financial Pressures Keep Growing

- Health care costs continue to increase
- Rising gas prices forcing many to tighten budgets
- Rising commodity prices driving up food prices
- Inflation fears, weak housing market impact mortgage rates

Mortgage Crisis

- Housing market still weak
- Rising mortgage rates end of 2005 pushed up mortgage payments
 - Foreclosures up 79% in 2007
- Foreclosures and delinquent loans largely subprime loans
- Mortgage Forgiveness Debt Relief Act of 2007

Technology Use

- More Internet uses require faster connection speeds
- Rising broadband access at home
 - 70% U.S. households by 2012
- Business opportunities grow with technology advancements
 - Global economy

Web 2.0

- Internet has become more interactive
 - YouTube, Wikipedia
- Social networks offer marketing opportunities
 - MySpace, Facebook
- 25M adults regularly share information about products and services online
 - Expected to grow to 32M by 2010

Identity Theft Fears Continue

- Hackers range from computer-savvy teenagers to full-time international hackers
- Fear of identity theft have caused many to limit Internet activities
- IRS preventative measures
 - Increase public awareness of identity theft, phishing, and other scams
 - OnGuardOnline.gov



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